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Soviet, Chinese Economies Confront 'Serious Difficulties': CIA's Turner

By LLOYD SCHWARTZ

WASHINGTON (FNS) — The economies of both the Soviet Union and Mainland China are experiencing "serious difficulties," according to Central Intelligence Agency testimony to the Joint Congressional Economic Committee.

The testimony by CIA Director Stansfield Turner and other officials suggested that high and rising defense costs, caused in large part by inefficiency in the defense industries, continue to burden the Soviet economy.

The Chinese economy, meanwhile, registered no growth in gross national product in 1976, partly as a result of the massive earthquakes and the political disruption from the deaths of Mao Tse-tung and Chou En-lai. Chinese defense spending has remained roughly at the same level since 1960, it said.

Other findings reported in the CIA testimony:

• Chinese weapons technology is about 20 years behind that of the USSR. Its aircraft, missiles, ships and ground equipment and basically copies of Soviet designs of the 1950s.

• The United States is well ahead of Soviet technology in such areas as electronics, computers, aircraft and missiles. Turner said, Soviet "brute force" techniques of employing quantity rather than quality "achieve about the same end-result in many areas that we do with much more sophisticated techniques." Soviet weapons thus tend to be more costly and not more effective than U.S. weapons, it was noted.

Admiral Turner told the Joint Economic Committee that the USSR will soon enter a period of reduced economic growth, with important implications for the West. He based this conclusion on a sharp reduction in the growth of working age Russians in the 1980s, coupled with anticipated Soviet bottlenecks in key commodities, especially crude oil.

Turner reported further that Moscow's formula for successful economic growth over the past 25 years — increasing inputs of labor and capital — is n

In addition, Russian productivity gains have been slowing for years and, said Turner, this will probably continue. One reason cited by the CIA is that fuel and mineral reserves west of the Urals are being depleted, while new resources in Siberia and Central Asia are costly to develop.

A looming oil shortage could hurt the USSR, the CIA believes. CIA analysts have predicted that Soviet oil production will start to fall by the late 1970s or early 1980s because the Soviets are not finding and developing new deposits fast enough to offset declining output from older fields.

The CIA estimates Soviet defense spending in 1976 at between 57 and 62 billion rubles, or 11 to 12 percent of Soviet GNP.

Measured another way, the CIA reported that Soviet defense spending currently takes about one third of the output of the Russian machine-building and metalworking sector, as well as about one fifth of metallurgy, one sixth of chemical and one sixth of energy output. Such spending is seen as increasing into the 1980s at an annual rate of 4 to 5 percent.

Estimated dollar costs of Soviet defense programs in 1976 top U.S. defense outlays in all major resource categories, Congress was advised. For investment, including such categories as procurement of weapons and spare parts and construction of

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